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# The Day Ahead: Comparing Post-Election Weakness to Taper Tantrum

"Taper tantrum" refers to the market's reaction to the revelation that the Fed would begin reducing the pace of its asset purchases in mid-2013. For most of us, that's as bad as it gets for bond markets. Even for those who lived through the brutal weeks in April 1987, the worst 3 days of the taper tantrum represented a **more abrupt change** in yields in terms of the percentage of gains erased compared to the worst 3 days in 1987.

It's scary to consider, then, that the past 3 days (Wed, Thu, and today) have actually seen a **bigger** intraday yield spike than the **worst 3 days** of the taper tantrum! Caveats abound, however. The following chart breaks them down.

First off, the "worse than taper tantrum" designation for the past 3 days relies on the use of **"intraday"** weakness, simply because we don't have a closing value for today yet. If we were to close at levels in place this morning, the 2013 taper-tantrum would keep its title as the king of weakness.

Then there's the matter of the surrounding trading. In the run-up to the taper tantrum, there was significantly stronger momentum initially compared to unevent, slightly weaker momentum in 2016 (red dotted-line boxes). Moreover, the 2nd phase of the respective moves saw a **massive shift** toward weaker momentum during the taper tantrum WELL before the 3 days in question. By comparison, the 2016 momentum shift is much less consistent.

## MBS and Treasury

| | Price / Yield | Change |
|---|---|---|
| MBS UMBS 6.0 | 99.43 | -0.62 |
| 10 YR Treasury | 4.9860 | +0.0952 |
| 30 YR Treasury | 5.3557 | +0.0737 |

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## Average Mortgage Rates

| | Rate | Change | Points |
|---|---|---|---|
| **Mortgage News Daily** | | | |
| 30YR Fixed | 7.30% | +0.12 | 0.00 |
| 15YR Fixed | 6.92% | +0.09 | 0.00 |
| 30YR FHA | 6.89% | +0.07 | 0.00 |
| 30YR Jumbo | 7.40% | +0.03 | 0.00 |
| 7/6 SOFR | 6.80% | +0.31 | 0.00 |
| 30YR VA | 6.90% | +0.07 | 0.00 |

Rates as of: 11/10

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Simply put, 2013 was the **ultimate sucker punch**. Markets were set up with a false sense of positivity by the end of April 2013, and everything was abruptly ripped away, seemingly without warning. In stark contrast, the past 3 days of weakness lie at the tail end of more than 4 months of solid uptrend in rates. Indeed, "defense against the uptrend" was already the most appropriate strategic stance from a market-watching standpoint.

**Bottom line,** the past 3 days have technically covered more ground from trough to peak than the worst 3 days of the taper tantrum, but the taper tantrum remains a **far more insidious** move overall. Only time will tell if the subsequent weeks will make this a closer comparison. 10yr yields would have to hit 2.5%, or thereabouts, before any legitimate case could be made that 2016 is in the same league.

All that having been said, the current move has **nonetheless been awful**. The fact that we can even begin to compare it to the taper tantrum puts it in a league of extraordinary sell-offs that have rarely been seen in modern bond market history. It's worth noting, however, that most of those extraordinary sell-offs were precipitated by the recent juxtaposition of long-term or all-time low yields.

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